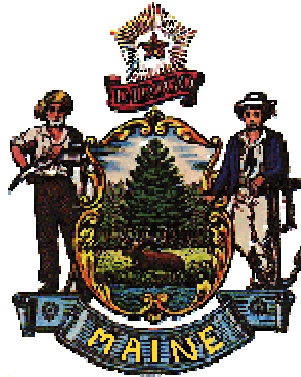


COMPLIANCE AUDIT REPORT

STATE OF MAINE WORKERS' COMPENSATION BOARD



MORSE, PAYSON & NOYES
April 5, 2002

Monitoring, Audit & Enforcement (MAE) Division

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SUMMARY

The Audit Division of the Maine Workers' Compensation Board examined 59 claim files for the period under examination (2000) to determine compliance with statutory and regulatory requirements in the following areas:

- Form filing
- Timeliness of indemnity payments
- Accuracy of indemnity payments

Of the claims files audited, there were 9 “compensatory lost time” claims, 14 “medical only, non compensatory lost time” claims, 27 “medical only” and 9 “incident only”¹ claims.

Our audit revealed:

- All reportable claims identified had been reported to the Board at the time of audit.
- Of the nine (9) compensable lost time claims identified, an overpayment of \$194.44 (Collectively) was discovered.
 - ✓ One (1) was found to be a Lump Sum Settlement, which was verified to have been paid at the time of audit.
 - ✓ One (1) claim was found to have had the number of days calculated incorrectly, resulting in an overpayment.
 - ✓ Five (5) claims were calculated incorrectly for partial payments.
 - ⇒ Three (3) claims were determined to be indemnity overpayments.
 - ⇒ Two (2) are being investigated further to determine if additional indemnity is due to the injured employees. This division requests that if additional indemnity is due then those payments be made.
- Of the 14 “medical only, non compensatory lost time” claims, all of the forms were found to be filed correctly. The 27 “medical only” and 9 “incident only”¹ claims also are noted as having all necessary forms filed at the insurers location.
- No problems were identified in the methods used to determine average weekly wages and benefit rates. The auditor was impressed with Morse, Payson and Noyes’ understanding of form completion, and by their demonstration of accuracy.
- A problem was identified in regards to the calculation of partial indemnity payments, particularly when the employee returns to work in the middle of a workweek. The correct method of calculating partial indemnity payments was explained and the Audit Division is confident that it will be followed in the future.
- The most significant form filing compliance problem appears to be in the filings of the Wage Statement (WCB-2) and the Schedule of Dependent(s) and Filing status Statement (WCB-2A) Compliance was 63%. It appears that Morse, Payson and Noyes request these forms timely from the employers however, the employers generally have not been complying timely. In several instances forms had to be re-requested from the employers. This division would recommend that Morse,

¹ “Incident only” claims incur no medical expenses and less than a day of lost time.

Payson Noyes confront this issue and develop a more effective method of obtaining these forms from their employers.

- The Audit Division would like to thank Morse Payson and Noyes for the use of its facilities and providing the audit staff the necessary materials needed to complete the audit in a proficient manner.

SUBSEQUENT EVENTS

- On March 26, 2002, Morse, Payson & Noyes Insurance responded with the results of their investigation of possible additional indemnity to two injured employees (see the second bullet above. Both claims were found to have been underpaid. Therefore, they were paid the additional indemnity that was due to them.

PENALTIES

◆ Section 205(3), M.R.S.A. Penalties (payable to injured employees)

“When there is not an ongoing dispute, if weekly compensation benefits or accrued weekly benefits are not paid within 30 days after becoming due and payable, \$50 per day must be added and paid to the worker for each day over 30 days in which the benefits are not paid. Not more than \$1,500 in total may be added pursuant to this subsection. For purposes of ratemaking, daily charges paid under this subsection do not constitute elements of loss.”

Penalties pursuant to 39-A M.R.S.A. Sec. 205(3) are paid directly to the injured employee. The penalties below are being sought. If you disagree, you have the right to a hearing before the Abuse Investigation Unit. Please provide proof of payment for all undisputed penalties.

| CLAIM | PENALTY JUSTIFICATION | PENALTY AMOUNT |
|---|--|-----------------|
| James Cote vs. Allen & Coles Date of Injury: 08/24/00 Morse Payson & Noyes File # 1000-1051-00-008 WCB File # 11580 | Subsequent payments were not paid timely. \$600.00 Second payment due 09/15/00 however not made until 10/27/00, 42 days late. Therefore claimant is due \$50.00 per day for 12 days, \$600.00. | |
| Total Penalties to Injured Employees | | \$600.00 |

PENALTIES (Continued)

◆ Penalties Allowed by Law (Payable to the Workers' Compensation Board)

39-A M.R.S.A. Sec. 359(2)

“In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3rd-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the board is exempt from the provisions of the Maine Administrative Procedure Act.”

39-A M.R.S.A. Sec. 360(1)(A)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;”

39-A M.R.S.A. Sec. 360(1)(B)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act.”

- Six (6) forms were filed late (\$600.00).

39-A M.R.S.A. Sec. 360(2)

“The board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The board may also require that person to repay any compensation received through a violation of this act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.

INDEMNITY BENEFITS

(As of 01/03/02)

A. Prompt Initial Payment of Benefits

| | | | 2000 | |
|----------------------|------|------------------|--------|---------|
| | | | Number | Percent |
| Check Mailed Within: | | | | |
| 0-14 | Days | Compliant | 9 | 100% |
| Total Due | | | 9 | 100% |

B. Prompt Subsequent Payment of Benefits

| | | | 2000 | |
|----------------------|------|------------------|--------|---------|
| | | | Number | Percent |
| Check Mailed Within: | | | | |
| 0-7 | Days | Compliant | 128 | 99.22% |
| 8-14 | Days | | 0 | .00% |
| 15 + | Days | | 1 | .78% |
| Total Due | | | 129 | 100% |

C. Accuracy of Average Weekly Wage

| | | | 2000 | |
|-------------|--|------------------|--------|---------|
| | | | Number | Percent |
| Calculated: | | | | |
| Correct | | Compliant | 5 | 63% |
| Incorrect | | | 3 | 37% |
| Total | | | 8 | 100% |

D. Accuracy of Weekly Benefit Rate

| | | | 2000 | |
|-------------|--|------------------|--------|---------|
| | | | Number | Percent |
| Calculated: | | | | |
| Correct | | Compliant | 5 | 63% |
| Incorrect | | | 3 | 37% |
| Total | | | 8 | 100% |

FORM FILING

(As of 01/03/02)

A. First Report (WCB-1)

| 2000 | | |
|--------------|--------|---------|
| | Number | Percent |
| Filed | 22 | 37% |
| Not Required | 37 | 63% |
| Total | 59 | 100% |

B. Wage Statement (WCB-2)

| 2000 | | |
|------------------------|--------|---------|
| | Number | Percent |
| Received at the Board: | | |
| Filed Compliant | 5 | 63% |
| Filed Late | 3 | 37% |
| Total | 8 | 100% |

C. Schedule of Dependent(s) and Filing Status Statement (WCB-2A)

| 2000 | | |
|------------------------|--------|---------|
| | Number | Percent |
| Received at the Board: | | |
| Filed Compliant | 5 | 63% |
| Filed Late | 3 | 37% |
| Total | 8 | 100% |

D. Memorandum of Payment (WCB-3)

| 2000 | | |
|------------------------|--------|---------|
| | Number | Percent |
| Received at the Board: | | |
| Filed Compliant | 8 | 100% |
| Filed Late | 0 | 0% |
| Total | 8 | 100% |

FORM FILING (Continued)

(As of 01/03/02)

E. Discontinuance or Modification (WCB-4)

| | | 2000 | |
|------------------------|------------------|--------|---------|
| | | Number | Percent |
| Received at the Board: | | | |
| Filed | Compliant | 8 | 100% |
| Not Filed | | 0 | 0% |
| Total | | 8 | 100% |

F. Notice of Controversy (WCB-9)

| | | 2000 | |
|------------------------|------------------|--------|---------|
| | | Number | Percent |
| Received at the Board: | | | |
| Filed | Compliant | 4 | 100% |
| Filed Late | | 0 | 0% |
| Total | | 4 | 100% |

G. Statement of Compensation Paid (WCB-11)

| | | 2000 | |
|------------------------|------------------|--------|---------|
| | | Number | Percent |
| Received at the Board: | | | |
| Filed | Compliant | 8 | 100% |
| Not Filed | | 0 | % |
| Total | | 8 | 100% |